

Message Text

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C O N F I D E N T I A L STATE 177764 TOSEC 080104

E.O. 11652: GDS

TAGS: EEWT, EAGR, EWWT, ELAB, UR

SUBJECT: U.S. SHIPPING AND THE SOVIET GRAIN PURCHASES

FOR SONNENFELDT AND HARTMAN

1. FOLLOWING IS TALKING POINTS/ISSUES PAPER ON GETTING
A FAIR SHARE FOR U.S. SHIPPING IN THE U.S.-SOVIET GRAIN
TRADE, FOR POSSIBLE USE WITH BREZHNEV.

2. TALKING POINTS.

-- I AM PLEASED THAT WE HAVE THUS FAR BEEN ABLE TO MEET
SOVIET GRAIN IMPORT REQUIREMENTS FROM U.S. SUPPLIES.

-- IT IS ESSENTIAL IN TERMS OF YOUR INTEREST AND OURS TO
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ENSURE THAT THE TERMS OF THE 1972 US-USSR MARITIME AGREE-
MENT ARE APPLIED IN THE SHIPMENT OF THIS GRAIN.

-- THIS MEANS THAT PARITY WILL HAVE TO BE MAINTAINED

BETWEEN US AND SOVIET SHIPPING IN MOVING THE GRAIN CARGOES.

-- THIS YEAR, A SERIOUS IMBALANCE HAS DEVELOPED IN FAVOR OF SOVIET SHIPPING. THE IMBALANCE HAS RESULTED FROM A

FAILURE TO ESTABLISH A MUTUALLY ACCEPTABLE FREIGHT RATE HIGH ENOUGH TO ENABLE U.S. VESSELS TO PARTICIPATE IN THE TRADE.

-- THE AMERICAN MARITIME UNIONS HAVE EXPRESSED GENERAL CONCERN OVER THE GRAIN SALES, AND FAILURE TO MAINTAIN PARITY IN THE SHIPPING OF THE GRAIN MAY LEAD THE LONG-SHOREMEN TO REFUSE TO LOAD THE SHIPMENTS.

-- IN ORDER TO RESTORE PARITY IT IS ESSENTIAL TO SETTLE THE FREIGHT RATE PROBLEM ON AN URGENT BASIS.

3. BACKGROUND/ANALYSIS.

--- THE 1972 US-USSR MARITIME AGREEMENT PROVIDES THAT PARITY (MEASURED BY WEIGHT CARRIED) MUST BE MAINTAINED IN THE MOVEMENT OF GRAIN CARGOES. DURING 1974, U.S. VESSELS CARRIED A LARGER SHARE (48 PERCENT) OF THE GRAIN CARGOES THAN SOVIET VESSELS (23 PERCENT). HOWEVER, THE BALANCE SHIFTED THE OTHER WAY IN THE FIRST HALF OF 1975 (25 PERCENT FOR U.S. VESSELS, 48 PERCENT FOR SOVIET).

--- THE BALANCE WILL REMAIN HEAVILY IN THE SOVIET FAVOR UNLESS AGREEMENT CAN BE REACHED ON A FREIGHT RATE. THE 1972 MARITIME AGREEMENT REQUIRES THAT GRAIN CARGOES BE OFFERED AT A MUTUALLY ACCEPTABLE RATE. SINCE MARCH, WE HAVE BEEN UNABLE TO AGREE WITH THE SOVIETS ON A RATE HIGH ENOUGH TO ENSURE U.S. FLAG PARTICIPATION.

--- THE MARITIME ADMINISTRATION ASKED THE SOVIETS ON JULY 22 FOR NEGOTIATIONS ON THE FREIGHT RATE PROBLEM, IN VIEW OF THE SUBSTANTIAL SOVIET PURCHASES OF U.S. GRAIN. AN
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EXCHANGE OF CABLES HAS THUS FAR NOT PRODUCED A SATISFACTORY RESULT. (THESE NEGOTIATIONS ARE SEPARATE FROM ONGOING TALKS ON THE RENEWAL OF THE MARITIME AGREEMENT, WHICH EXPIRES AT THE END OF THIS YEAR).

--- THE POSSIBILITY OF ILA INTERFERENCE WITH THE GRAIN SHIPMENTS SHOULD BE AN ADDED INCENTIVE FOR THE SOVIETS TO MOVE QUICKLY NOW TO SETTLE THE FREIGHT RATE PROBLEM.

--- AT THEIR CONVENTION IN MIAMI LAST WEEK, THE ILA ADOPTED A RESOLUTION AUTHORIZING THEIR PRESIDENT, THOMAS W. GLEASON, TO FORBID THE LOADING OF GRAIN SHIPMENTS TO THE SOVIET UNION IF HE DETERMINED THAT THE SHIPMENTS

WERE CONTRARY TO THE INTERESTS OF THE AMERICAN PEOPLE.
THE LEADERS OF THE MARITIME UNIONS ARE MEETING IN
CHICAGO ON JULY 29 TO DECIDE WHAT ACTION TO TAKE.

--- THE ILA RESOLUTION EXPRESSED CONCERN OVER THE
EFFECTS OF THE GRAIN SHIPMENTS ON CONSUMER PRICES IN THE
U.S. IN THE PAST, THE ILA HAS ALSO COMPLAINED THAT
THE US-USSR MARITIME AGREEMENT HAS WORKED TO THE DISADVANTAGE OF THE U.S.

--- THE ILA LEADERSHIP HAS INDICATED THAT IT DOES NOT
INTEND TO BLOCK THE GRAIN SHIPMENTS AT THIS TIME.
HOWEVER, IT WOULD BE MORE LIKELY TO DO SO IF IT TURNED
OUT THAT MOST OF THE GRAIN WAS BEING SHIPPED ON SOVIET
OR THIRD COUNTRY VESSELS.

4. CLEARED: S/IL (GOOD), EB (STEINMETZ), MARAD (BOURDON)
AND C(KELLY). INGERSOLL

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